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P8

The word "PULSE" is rendered in a large, bold, sans-serif typeface. Each letter is composed of multiple parallel lines, creating a sense of depth and movement. The letters are dark, and the spaces between the lines are light, giving the text a textured, almost vibrating appearance.

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**OFFICE OF AUDIT
U.S. DEPARTMENT
OF AGRICULTURE**

NINE / NINE



“ . . . the forceful siege of overwhelming change.”

LEONARD H. GREESS
Director

As we enter a new year, the time is appropriate for a fresh look - a fresh resolve - by each of you, to develop and apply your talents and intellect to the point where your job provides the satisfaction and personal reward that should flow from it. The success you achieve in doing this will be a direct result of the thoughtfulness and thoroughness with which *you* approach this effort, and the follow-through actions *you* undertake.

The first step in this process is self-examination - leveling with oneself - discovering and acknowledging one's voids - identifying needs. Nothing is quite the same today as it was yesterday. You have changed, the times have changed, and your profession has changed drastically. In a world almost overwhelmed by change, functional and intellectual obsolescence can overtake us before we realize it.

Consequently, training and retraining is essential. It must not be spotty or occasional. It must be continuous.

The essence of training is self-training—self-improvement. It is the measure of one's motivation—one's ambition—one's desire to grow, to expand one's usefulness to others—and to himself, or herself, as well.

Management can provide the climate, the encouragement, and the assistance—but each will grow only to the degree *he*, or *she*, wills.

The “will to grow” is an intensely personal matter. It involves an awareness of individual distinctiveness and individual worth. It's a matter of inner conviction—that prompts one to make a *personal effort* to become ever more valuable.

Have you questioned your personal effort recently? For instance - - -

Do you subscribe to or read any professional journals that relate to your work?

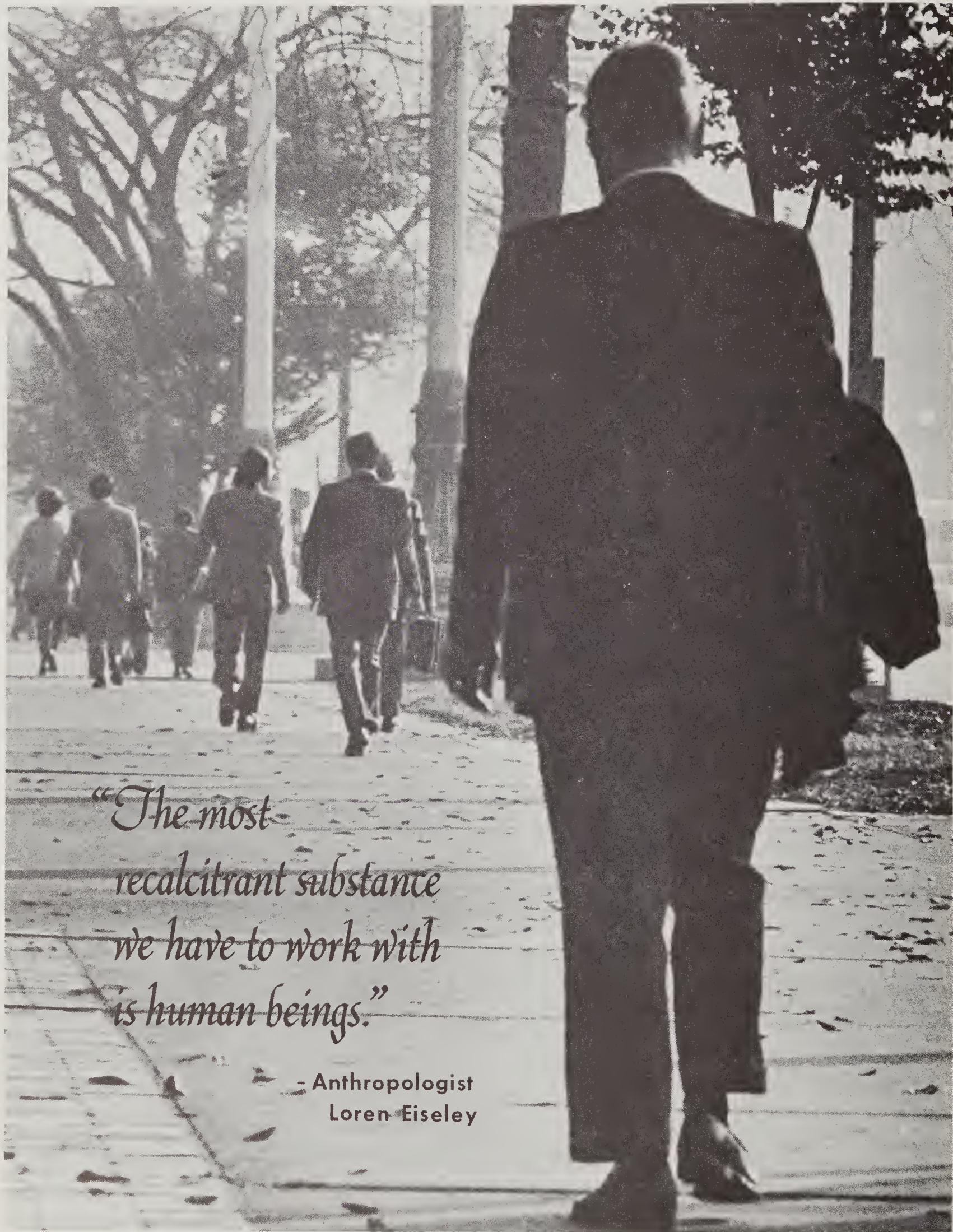
Have you bought or read a book on the subject of supervision or management during the past year?

Have you done anything outside the 40-hour work week that could be considered professional self-improvement? Have you attended lectures, seminars, or workshops? Have you participated in activities of professional organizations?

This is a time in which momentous movement is afoot. Those who do not stay abreast of the times—or, even more vital, keep up with the future, can look only to themselves if they become a part of the forgotten past.

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*"The most
recalcitrant substance
we have to work with
is human beings."*

- Anthropologist
Loren Eiseley



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THE DECIMALIZATION OF LEROY LIQUATS

by Robert G. Bramhall

There wasn't much traffic on the county road, I noticed, as I drove along toward the general store at Hoople's Corner.

When I got to the store there were four or five cars and Leroy Liquats' pick-up truck parked in front.

We all believe Leroy could have gone far in public office. We've tried to encourage him to seek an elected position but the ambition to run always lost out to his first love—well digging.

Leroy has done some egg candling, and for a while he tried to break away from the wells as a loom mechanic down at the mill, but well digging is in his blood and he always returns to the call of the well.

My shoes made dull clomp, clomp, clomp sounds across the wooden front porch, and the cowbell jangled on the door to announce my arrival.

"Morning, Ralph; howdy, Luke; morning, Leroy", I acknowledged their waves.

Ralph and Luke were sipping coffee and Leroy was reading from a paper spread across the top of the big red Coca Cola ice box in the middle of the store.

"What's the good news, Leroy?" I asked.

"This article says that we're out of step with the rest of the world", Leroy said, looking up from his newspaper.

"Who's out of step?"

"We are, the whole United States".

"Who says so?"

"The guy that wrote this article in the newspaper says so."

"Well, what are they doing about it?"

"What's who doing about it?"

"The people responsible for keeping us in step, that's who."

"Well, the article says they're going to do away with feet and inches and ounces and pounds and quarts and gallons."

"How's anybody going to know how much of anything they bought and how will they know what it costs?"

Ralph and Luke sidled over to the side of the coke box, and Lonnie Hoople came around the counter to listen. Marvin Gump had come in from his filling station across the road and several other customers had joined the audience.

Leroy was a born leader and we all knew it. Yes sir, we were thinking, he could have gone right far in public office.

You could just tell as he talked, he was hearing the same drummer that called out to George Washington and Abe and Wendel Wilkie and Alf Landon.

"How's it going to be, Leroy? How are people going to know how much of anything they've bought and what it'll cost them and all that kind of stuff?"

"They want to convert the whole country to the metric system, it says here."

"What system do we use now?"

"Well, it's called the old English system but the English don't use it."

"They don't?"

Special Agent and Training Officer **ROBERT G. BRAMHALL** is on the Headquarters staff of the *Office of Investigation*.

"No. They use the metric system."

"Well, who does use the old English system?"

"In addition to the United States, there's Barbados, Burma, Gambia, Jamaica, Liberia, Muscat, Nauru, Oman, Sierra Leone, Southern Yemen, Tonga and Trinidad."

"Tonga?"

"Yep"

"I wonder how they're going to break this to the Tonganese?"

"What do you mean, break this to the Tonganese?"

"Well, we've had good relations with the Tonganese for years, haven't we?"

"Well, sure, I suppose so, but what has that . . ."

"And the Omans and Muscats too?"

"Well, yeah, I guess we've gotten along with them over the years too . . ."

"And the Liberians and the Gambians and the Burmese and the rest?"

"Sure, I guess so."

"Well, then, don't you see? We can't just desert our allies that way."

"I never thought about it like that."

"I'll tell you how I feel about it. If some gang of do-gooders wants to convert us to some other way of doing business, then it's only fair that they convert all of us."

"You mean they should convert the other countries that use the old English system of weights and measures at the same time as they want to convert the United States?"

"Sure. That's the democratic way, isn't it?"

"I suppose it is."

"Certainly it is. That's the American way. United we stand or divided we fall."

"Well at least if they converted everybody at once the countries who do use our system now wouldn't be left to shift alone."

"That's what I say. We've got a long standing friendship with the Jamaicans and the Southern Yemenis and Muscats . . ."

"Muscats."

"Sure, the Muscats. Well, that's it then, they convert us all or they don't convert any of us, right?"

"Certainly seems to be the fairest way of doing it."

"That's the trouble with these do-gooder groups, they don't consider all the angles. By the way, Leroy, how is all this supposed to come about? This conversion business?"

"The article says they plan to start in the elementary schools. First, second and third grades. It says the whole process might take fifteen or twenty years."

"Holy smoke. Do you know what that would cost?"

"You mean to teach it to the school kids?"

"No. I mean to bring all those kids from Tonga, and Burma and Nauru and Sierra Leone and Barbados and everywhere else over here to school so they can be converted with the rest of us."

"It'll cost a bundle all right."

"Think of what that's going to do to the real estate taxes."

"Gee, I didn't consider that."

"And it could go on for fifteen or twenty years, remember."

"Holy cats, what a project."

"Right, and you know who'll have to pay for it too."

"Us?"

"Exactly."

"Well, what the heck are the Tonganese trying to do to us? I mean, after all, we've been friends for years and here they are trying to saddle us with converting all their kids."

"You know how it is, try to be a nice guy and they'll stick it to you every time."

"Right. And the Burmese and the Gambians and the Liberians and the Jamaicans too. What the heck do they think this is?"

"I'll bet money doesn't grow on trees in Nauru or Barbados or Muscat . . ."

"Muscat."

"Right, Muscat or Oman or Southern Yemen or Sierra Leone."

"Then, I wonder what this business is all about. Them shipping their kids over here for fifteen or twenty years free schooling."

"Sure is asking a lot."

"I'll say it is."

"The article says this conversion movement will have lasting implications on American education and life."

"Well, it sure as heck will. Dumping all those foreigners on us like that."

"Bad enough, them wanting to go to school with our kids right off, but you wait and see, pretty soon they'll be in the restaurants and wanting to move into your neighborhood."

"Maybe one of 'em will wind up wanting to marry your daughter."

"It's not American."

"I'm going to get that newspaper reporter on the telephone."

"No sir, they're not decimalizing Leroy Liquats."

"Maybe we ought to start a whole new system, an all American system. We'd be the only ones to have it."

"What do you mean, Leroy?"

"Well, everybody knows what a pinch of something means, right?"

"You mean like a pinch of salt?"

"Right. We could have a system built strictly around American terms like that."

"You mean like a pinch of salt and a heap of work and gobs of money, loads of time and terms like that?"

"Exactly. What could be more American than that?"

"Leroy, I've got to hand it to you, you sure come up with some solid ideas."

"Let's get this system blocked out. Ten pinches could make a gob: ten gobs could make a heap: ten heaps can make a load . . ."

"That sounds kind of metric, everything in units of tens."

"You're right. Maybe just six gobs and two pinches to a load."

"Leroy, I think you've really got something going."

"It's the American way." "Nobody's decimalizing Leroy Liquats."

We began to applaud. Loud, hand stinging applause. Some whistled through their teeth.

Leroy started through the crowd. By now thirty or more people had gathered in the store. They shook Leroy's hand and clapped his back as he made his way through.

Leroy stopped at the door and turned back to give us a nod and he stood tall and straight. "Looks like the rail splitter himself, don't he?", whispered Lonnie Hoople.

I can't be sure, but I think I heard Leroy mutter to himself standing there in the doorway. "Danged bureaucratic do-gooders. They didn't reckon with a counter movement from Leroy Liquats." And then he took an oath to start a grass roots movement . . . driving on the left hand side of the road.

RESULTS - 1974

HOW DO YOU MEASURE OA'S ACCOMPLISHMENTS IN FISCAL 1974? IN TERMS OF COST/BENEFIT RATIOS THE MONETARY RESULTS OF \$23 MILLION EXCEEDED BY FAR OUR COSTS. BUT THAT DOLLAR AMOUNT DOESN'T TAKE INTO ACCOUNT THE SUBSTANTIAL SUMS THAT FmHA CONSIDERS THEY SAVED BY CHANGING THEIR WAY OF PROCESSING EMERGENCY LOANS AS RECOMMENDED BY OA. LAST YEAR WE ISSUED ALMOST 2,800 REPORTS. THAT FIGURE, HOWEVER, UNDERSTATES THE SCOPE OF OUR AUDITS. ONE PROGRAM AUDIT WE KNOW OF, FOR EXAMPLE, REQUIRED SEVERAL DAYS OF AUDITING IN EACH OF 50 USDA FIELD UNITS. THE RESULTS WERE REPORTED IN ONLY EIGHT REPORTS. OVER 16,000 AUDIT FINDINGS WERE REPORTED WHICH ASSISTED OUR CLIENTS IN CONTROLLING THEIR OPERATIONS.

WE CAN GO ON BUT WE THINK WE HAVE MADE OUR POINT. WE RECENTLY LEARNED OF ONE YOUNG MAN WHO RESIGNED FROM OA BECAUSE HE FELT THAT HE WAS NOT EARNING HIS SALARY. MAYBE HE WAS RIGHT. FROM OUR VANTAGE POINT, AS A WHOLE, LADIES AND GENTLEMEN, YOU HAVE EARNED YOUR SALARIES.

— THE EDITOR

BUT WE'VE ALWAYS DONE IT THIS WAY - - - -

- by Richard K. Greene

In February 1974, staff personnel associated with OI and OP came together to examine the effectiveness and quality of OI's EEO investigations. The early discussions delineated the issue; OI thought it had the best EEO product in the country and OP thought the work was ineffective and of limited use in resolving complaints.

Clearly, something was wrong. Over a period of about six months of intensive study and preparation for a joint training program we discovered what was wrong. Both offices had fallen into that dangerous rut where they saw only the parameters of their own problems. There was little or no appreciation for the collective mission of the Department and each office had come to look at its program as an end in itself.

Working together they broke down a lot of barriers, developed true understanding and produced an outstanding course of instruction. Dick Greene, Supervisory Agent, San Francisco, almost single handedly brought all of the forces together, prepared the OI phase of the program and served as OI's sole instructor. In looking back he has reduced the overall experience to an article written in the easy style which is characteristic of his delivery before training classes.

If you had a nickel for every time you heard it and a penny for every time you said it you could retire today - right?

We ran into the problem not too long ago when we were asked to work with the Office of Personnel in improving our Equal Employment Opportunity investigations. The solution seemed obvious. Training.

As a first step in training, we had to put together a lesson plan. How did we do that? Simple - we rewrote the investigation manual. Why did we rewrite the investigation manual? Simple again - it didn't agree with the lesson plan. Actually, the whole thing wasn't that simple. When we started we tried to devise a plan that would fit the objectives of the course. Several of the objectives were to prepare a meaningful report, improve the investigative process and create a sensitivity to the overall EEO problems on the part of our personnel. Based upon experience and case histories, putting together the lesson plan was fairly easy. Then the question was asked: "Does it agree with the current manual?" The answer: "No way:" Solution: Rewrite either the lesson plan or the manual.

This brought about a session of deep thinking and another question: "Why are we doing it (our investigations) this way?" with an immediate answer of: "Beats the heck out of me, I guess because we've always done it this way." After a little more soul searching, we realized that the answer really isn't an answer. The end result was a completely new EEO Investigation Handbook to replace the old manual and a different report writing format. New concepts evolved and old ones were modified. When the birth pangs subsided we had a product - an investigation handbook and a lesson plan that fit together.

The handbook covered the investigation process from the time of complaint to writing the report in three separate sections, each independent of the other. One section gave the background into the handling of complaints; the second gave investigative guidance and suggestions; and, the third gave report writing instructions with numerous examples. The handbook became the lesson plan.

Input for the manualized lesson plan came from all available sources. We reviewed case files, talked to agents, the readers of our reports, and the Civil Service Commission. (An interesting sidelight was the discovery that the Commission was rewriting its Discrimination Investigation Handbook at the same time, with the same objectives in mind.)

While we were doing this, the Office of Personnel was putting together its part of the program to cover personnel actions and personnel records because EEO complaints are basically personnel action complaints. And you have to understand the process if you are going to perform a competent investigation.

The final result was a five day training session for selected OI investigators. The formal instructors came from OP, HEW, and OI. The informal instructors came from the class.

We discussed common problems in the EEO investigative process. Invariably we found a member of the class who had faced that problem and had resolved it. We always asked one question - "If you had to do it again, would you do the same thing, would you resolve it the same way?" The answers were not always the same because when we do a little Monday morning quarterbacking, we're always right.

One of our more interesting discussions evolved around "Boners and Bloopers". Actual case histories in which we had fallen flat on our faces. We put an EEO report on the screen and dissected it and found out why people complained they could not understand some of our reports - and if we had always done it that way, it was time for a change.

Instead of telling the class what was wrong we asked them what was bugging them during the course of their investigations. The forthright comments made during this session led to further changes in the OI Handbook and a better understanding of field working conditions by the EEO staff, who receive our reports.

The sessions were rewarding from both sides of the lectern. One of the greatest immediate benefits was the knowledge, respect and understanding that we all gained for one another and the problems peculiar to our respective agencies. We came to appreciate the other person's viewpoint and to realize that we are a team working for the Secretary, rather than taking the parochial viewpoint that we work only for our respective regions or agencies. We all realized that the problems faced by the agent in the field were not restricted to that agent only but had to be faced and surmounted by everyone involved in the EEO complaint process.

This is the first time we have had specialized instruction in a single area when the agency most concerned with the final product actively and directly participated in the training program. It is also the first time we had requests from other agencies to sit in on our training sessions. We were joined by members of the Office of Equal Opportunity, Office of Audit and the Civil Service Commission.

No, we haven't always done it this way, but we tried it and we liked it.

*RICHARD K. GREENE is a supervisory
Special Agent, Office of Investigation, working
out of San Francisco.*

ECONOMIC ANALYSIS IN AUDIT MANAGEMENT AND AUDITING

Up to now, relatively few of us have given much thought to economic analysis. It was something that could generally be avoided. But today's needs cannot be met with yesterday's methods. Economic analysis is growing in importance as a factor to be considered in the planning and performance of audits.

INTRODUCTION

The recent period of rapidly rising prices, widespread resource shortages, stagnant growth, and high unemployment has made all of us more aware of the critical role of economics in both the private sector and the public sector. Also, we are more keenly aware of the effects of economic decisions, regardless of whether it is through active participation, e.g., the decision to trade in the family station wagon for a more economical compact car, or through passive participation, e.g., the imposition of a tax surcharge on incomes above a certain amount. While most of us are conscious of the implication of economic decisions involving our personal lives and the National economy, few of us have thought much about using economic analysis in auditing. The objectives of this paper are to describe the role of economic analysis in auditing, to generate an increased awareness of the need for economic analysis in auditing, and to stimulate a greater use of economic analysis in the Office of Audit. The topics discussed in this paper are:

- What is economic analysis?
- Need for economic analysis
- The auditor's role
- Management's role
- Conclusions

WHAT IS ECONOMIC ANALYSIS?

Several terms have been used to describe the process of economic analysis. Among the more popular are benefit/cost analysis, cost effectiveness

analysis, efficiency analysis and operations analysis. Regardless of the terminology used, the process of economic analysis involves the systematic measurement, assessment, and evaluation of alternatives requiring the use of scarce resources. It is to be noted that economic analysis is more than cost estimation. It is the measurement and comparison of both the costs and benefits of alternatives.

Costs are measured in dollar terms and include the market value of alternatives foregone by undertaking the alternative in addition to the expenditures required for research and development, investment, and operation and maintenance. For example, the cost of a watershed project would include in addition to the outlays for engineering, construction, and operation and maintenance, the value of lost production on land used even if the land were donated to the project.

Benefits also are measured in dollar terms and include cost savings, the market value of increased productivity or output, and all income both direct and indirect generated from the alternative. For example, the market value of the increased productivity resulting from the irrigation project would be included as benefits of the project.

The accounting for both costs and benefits is based on the "with and without principle." Under the with and without principle only those costs and benefits which are causally related to the occurrence of the alternative are chargeable to it. All historic or sunk costs and benefits must be excluded and all costs and

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benefits which would have occurred regardless of whether or not the alternative had been undertaken should be excluded. In effect, the costs (benefits) chargeable to the alternative are equal to total cost (benefit) with the project minus total cost (benefit) without the project.

Furthermore, it is to be noted that the determination of efficiency and effectiveness is implicit in an economic analysis and is accomplished by:

- The systematic identification of the costs and benefits associated with alternative programs or projects.
- The use of sensitivity analysis to measure the impact on the final decision of changes in the values of key variables, constraints and assumptions.¹
- The use of costs and benefits to compare the relative merits or alternatives as an aid in making trade-offs between alternatives, recommending the most cost effective alternatives and in establishing or changing priorities.

In sum, economic analysis is a systematic process for quantitatively assessing the impacts of alternatives with the explicit purpose of identifying the most profitable alternative or set of alternatives. Economic analysis may be performed both currently and retroactively. The former involves decisions to commit or restrict the use of resources and the latter encompasses the role of program evaluation. Both types of economic analysis have important applications in auditing, and in the following section, *Need for Economic Analysis*, the use of economic analysis for resource allocation and program evaluation is explored in more detail.

NEED FOR ECONOMIC ANALYSIS

A major problem facing nearly every agency within the Federal government is the task of increasing output at a time when costs and work requirements

are increasing at a greater rate than budget allocations. The Office of Audit is no exception. A substantial backlog of audits currently exists and it is not likely that the backlog will be eliminated in the near future. The question which immediately comes to mind is "What can be done to increase output and reduce the project backlog?"

Economic analysis can be used to perform program evaluations to determine which types of audits have the greatest payoff, i.e., the highest ratio of cost savings to dollar cost, thereby providing guidelines for determining which programs to audit in the future. For example, if the average benefit/cost ratio for food stamp audits in cities over 200,000 is 2.5 and only 1.5 in cities under 200,000, then the return on incremental dollars spent on food stamp audits in large cities (larger than 200,000) would yield on the average a return of \$2.50 per dollar spent as opposed to only \$1.50 in the smaller cities. Under a fixed budget, total output, i.e., total savings from audit, could be increased by spending less money on audits of smaller cities and more money on audits in larger cities. This example is hypothetical, but it clearly represents how economic analysis might be used to allocate resources within the Office of Audit through program evaluation.

Frequently, decisions must be made with respect to expenditures on new programs or alternatives. An economic analysis should be performed on all new programs or alternatives before committing funds to ensure first that the program is justified economically, i.e., the benefits equal or exceed the costs, and, secondly, that the funds could not be spent on another alternative with a higher payoff. For example, the decision to add a new computer installation would be an investment of this type. An analysis should be performed to determine whether the savings generated by the computer would more than cover the cost of the computer and, second, the analysis should examine alternatives to the computer purchase to determine if another alternative, e.g., renting rather than purchasing outright, would offer a higher return on the money invested.

These are just a couple of examples of how economic analysis can be used in auditing to increase output and efficiency. Several others might be cited, but the important point to be made is that there are opportunities for substantial savings in the area of auditing. The crucial question that must be addressed

¹ Sensitivity analysis is concerned with the examination of the impact upon the benefit-cost model of changes in the values of key elements of costs and benefits and changes in key assumptions of analysis. The sensitivity of the model to variations in underlying assumptions and individual components is an indication of the riskiness of the estimates with respect to these elements.

is, "How can these opportunities be exploited to their fullest potential?" There are two elements which are keys to success. First, the auditors in the field must have a capability to implement the principles and concepts of economic analysis and, secondly, both top management and middle management must promote an atmosphere which is not only receptive to the idea of applying economic analysis to problems of audit but encourages its development.

THE AUDITOR'S ROLE

The auditors in the field possess the necessary background and skills for organizing, supervising, and conducting economic analyses. The auditors have been trained in their jobs to ask probing questions about issues such as the validity of cost data, the examination of alternatives, and the specification of assumptions. While most auditors may not have had formal education in the area of economic analysis, the structured type of reasoning and analysis they typically use in the audit process lends itself readily to the development of the skills used in economic analysis.

For many auditors these skills may be developed and perfected through both self-learning and concentrated course work in economic analysis. In fact, as little as one or two weeks of instruction may be adequate to develop the skills necessary for understanding and participating in economic analysis studies. The Office of Audit recently contracted with General Research Corporation, a private consulting firm, to implement a two week training course on economic analysis. Forty auditors attended the first course which was entitled, "Fundamentals of Economic Analysis." For the second course, "Advanced Concepts in Economic Analysis," fourteen of the original forty attended. As a means of providing the auditor with the needed skills in economic analysis, the courses appear to be highly effective. The fourteen members² who attended the second course are currently implementing four benefit/cost studies within the Office of Audit, and the preliminary results of these efforts are highly promising.

It is apparent that the auditors have the potential capability for effectively performing economic analyses, and if given opportunities, they can be

successful. The primary responsibilities of the auditors are to become involved, develop the skills, and seek out situations in auditing where economic analyses can be applied. The auditors should establish close ties with management and make recommendations and suggestions not only with respect to ongoing work but also with respect to potential new areas in which the payoff is high.

MANAGEMENT'S ROLE

It is the responsibility of both top management and middle management to foster the development and use of economic analyses in auditing. Without the support of management, the initiative and creativity of the auditors, the people who ultimately have to perform the economic analyses, will be stifled and the likelihood of widespread application will be greatly reduced. Management must recognize that the auditors are the backbone of the operation, and that the overall success of management is clearly related to the quality and effectiveness of the work performed by the auditors.

Clearly, if the use of economic analysis within the Office of Audit is to increase, the auditors not only must be given training opportunities to learn the necessary skills, but, more importantly, they must be given opportunities to actually conduct and participate in the implementation of economic analysis studies. Once the auditors have received basic training in economic analysis, they should be able to assume a major role in initiating studies and making recommendations in management. It is the auditors who are in the field and are close to the day-to-day problems, and often they will be the only ones who will be in a position to recognize the need for analysis when it surfaces. Although management

² The fourteen are:

Roselae Babcock, WR
Millard Baker, SER
Sam Currie, SER
Allen Dethlefsen, WR
Randal Gordon, SWR
Larry Harton, MWR
Thomas Heideman, GPR

Russell Hild, MWR
Malcolm Phelps, SER
Joe Philibert, SWR
Ken Redman, GPR
Lloyd Stubblefield, SER
Gary Tucker, NER
Robert Young, NER

should have the ultimate say in which studies will be undertaken, unless the auditors can take the initiative, widespread use of economic analysis within the Office of Audit is doomed to failure.

CONCLUSIONS

A number of conclusions may be drawn from the foregoing discussion. The need for economic analysis in audit management and auditing is apparent in that the burden of work requirements in auditing is increasing at a greater rate than the increase in resources to handle the added level. The obvious answer to this dilemma is increased efficiency and effectiveness. Economic analysis is a proven methodology for increasing efficiency and effectiveness. However, economic analysis has not had widespread use in the Office of Audit. The reason is due to both a lack of specialized auditor training in economic analysis and the failure of management to foster the development and use of economic analysis in auditing.

In order to be effective, the auditors not only must have the skills, but they must recognize the potential for using economic analysis in auditing problems. Similarly, Headquarters staff and the Regional Directors must perceive the opportunities for using economic analysis in audit management. The keys to success are opportunities and desire. The opportunities are there. The requirements are for the auditor to develop an interest and incentive to perform economic analysis in auditing and for management to provide a work atmosphere which

not only encourages but requires that the auditors take advantages of the opportunities.

In summary, auditors should:

- Take every advantage, including self-instruction, of training opportunities in the area of economic analysis.
- Be on the alert for potential opportunities to apply economic analysis to auditing.
- Develop an intuitive feel for economic analysis and adopt a philosophy that potential benefits must exceed expected costs for audit expenditures.
- Assume the initiative and make recommendations to management.

In summary, management should:

- Invest in human capital by both encouraging and permitting the auditors to receive the necessary training in economic analysis.
- Promote the use of economic analysis by requiring that an economic analysis be performed on all major audits.
- Solicit suggestions and ideas from the auditors regarding areas where economic analysis can be useful.
- Insure that auditors who have the skills in applying economic analysis to auditing be given the opportunities to do so.

* * * * *

“People who think they know everything are particularly disgusting to those of us who do . . .”

Dan Danigan
Auditor, Denver Suboffice

INBASKET

THE GREEN LOVE SEAT CAPER

In mid-October 1974, Headquarters OA was subjected to its first routine security test-check. The purpose was to test reaction time and thoroughness of follow through. OA was not found wanting. A green love seat was moved from a fourth floor office to a basement office after close of business on a Friday; it was located within acceptable time limits the following Monday morning.

The officer in charge of the test check advised that he had to choose a large object to assure that an auditor would notice its removal. He decided on the love seat instead of a highly placed official's desk on the basis that the couch would present a greater challenge. Not wishing to make it too easy, he erased his footsteps by dragging a hickory bough behind, wiped the love seat clean of fingerprints and cleverly disguised it as a bookcase. He is pleased with the test and feels that OA is entitled to an "attaboy" award. However, he cautioned, OA cannot afford to rest on its laurels as good security must anticipate intermittent, small spot checks to test continued alertness.

(We have no further interest in checking this out but from a certain angle that clothes tree in the security officer's office sorta' reminds us of the chandelier that used to hang over the stairway on the fourth floor.)

SALARIES AND GARBAGE

We have been somewhat disappointed by the response to the call for action presented in George Schaefer's article "Improved Solid Waste Management Needed" (PULSE, September 1973). Auditors have reported very little - either negatively or positively - about USDA's efforts in coping with this nationwide problem. We thought the matter was important then and two recent newspaper items on Government salaries and the mounting problems of waste disposal reinforced our thinking.

Including the October 1 hike, Federal Government employees have received eight pay raises in the past six years. The Tax Foundation Inc., a private New York tax research organization, reports that the average pay of Federal civilian employees has soared

36 percent in purchasing power since 1962 compared with a 20 percent rise for workers in industry.

About garbage - there's good news and there's bad news. The good: There's more than enough garbage for everyone. The bad: It's getting so that nobody knows where to put it all. It is already enough - 400 billion pounds - to fill the Panama Canal four times over every year. Forty-six percent of the cities across the country will run out of places to dump their trash within the next one to five years.

Less than one percent of municipal waste is now recycled. However, as an example of what might be saved, according to a Bureau of Mines expert, the half - million tons of fly ash produced from burning refuse every year could yield 150,000 pounds of reclaimed silver alone. Besides, shredded burnable refuse could reclaim one quadrillion BTU's of energy a year, or about one-third of the energy expected from the Alaska oil pipeline.

As one way to justify generally better than average salaries, Federal employees - including us - must contribute toward the solutions of such problems. Does the far-flung Department of Agriculture provide for adequate disposal of its own wastes and thereby provide leadership for local governments and industry to improve their solid waste management?

CRITIQUE

A recent incident reflected a need for all concerned to tighten up on operating procedures. The would-be robber, for his part, failed to study his "How To" manual. Had he done so, he would not have put his ski mask on before entering the bank, thereby attracting the attention of cruising policemen. In quick succession, thereafter, he committed a series of unforgivable oversights: he wrecked his car during the police chase from Arlington, Va. to USDA's Administration Building in Washington; left his gun in the wrecked car; and was forced to break two windows entering and exiting from the Administration Building. He is expected to receive a letter of reprimand covering these matters.

Although the exit point for would-be robbers is well known, it was not clearly marked and no provision



had been made to avoid glass breakage. To his credit, the Headquarters staff man has already taken corrective action. A red neon exit sign has been installed outside his office, a treadle has been placed inside the office door which automatically opens the window, a step-up has been placed near the window and a mattress has been placed outside the window to cushion the landing of future would-be robbers. Only a letter of caution to him was deemed necessary, primarily to serve as a reminder to complete corrective action by bolting all of the office chairs to the floor.

The District of Columbia police force is to be commended for its quick response to the breaking and entering at the USDA building. Although the would-be robber lost himself among the men working on the Metro, he was taken into custody the evening of the same day that the above incidents took place.

WHAT CAN WE DO ABOUT IT?

"Can the auditor survive the computer age?" This question is posed by D. L. Scantlebury writing for THE GAO JOURNAL (Fall 1974). "One of the most pressing problems we have today in the auditing field", he states, "is how to detect computer misuse. By misuse I mean use of the computer to aid dishonest people in fraud and embezzlement of other people's funds."

Mr. Scantlebury, the director of GAO's Financial Management Studies Division, suggests that the answer lies in redoubling "our efforts to provide effective training to our audit staffs. We must see that, in every audit where computers are involved, the system is examined by an auditor skilled in understanding and auditing computers. There really is no viable alternative. We cannot any longer 'audit around the computer.' We must understand how it operates, how to insure that proper controls are included in the system, and how to test those controls to see that they are working properly.

UP THE BRICK WALL - III

The MILLER - BEST STAFFMANSHIP PRINCIPLE avers that the canny staffman is one who

realizes that he was not put on earth to answer questions but to show off the glories of his trade. He is adept at governmentese and attending meetings where he adroitly sides with the majority and, if called upon to do so, can stretch a ten minute presentation into two hours. He must always follow the manuals to the letter to stifle creativity and create frustration. He eagerly accepts any task from the boss, even those beyond his capability, and usually succeeds in creating the illusion of major progress while producing confusion, inefficiency and demoralization.

The canny staffman reaches MAGIC POINT when he moves up to a higher position in the organization as a reward for his affability, loyalty and appearance.

GOBBLEDYGOOK

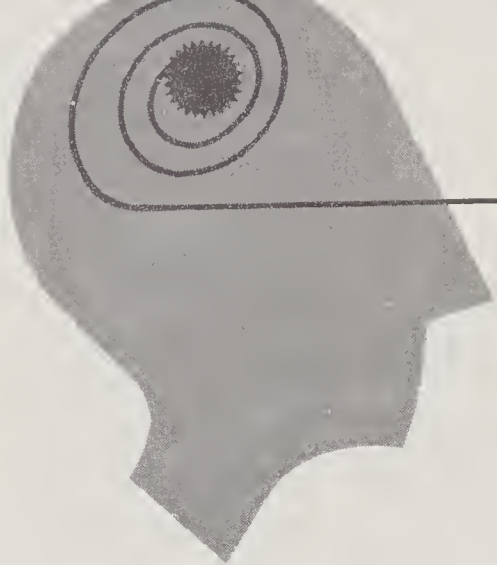
In 1921, Dr. George Otis Smith, director of the U.S. Geological Survey lectured, in part, "The world has a right to discount our usefulness and even to distrust our honesty if we persist in concealing our thoughts, or lack of thoughts, behind a mask of professional jargon."

Gobbledygook is still with us and is also one of the pet peeves of the present director, Dr. V. E. McKelvey, who reissued to the public Dr. Smith's speech. "... we too often try to overdress our thoughts," Dr. Smith said. "Just as there is a somewhat prevalent notion that clothes make the man, so we subconsciously believe that words make the idea."



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The Furtherance of Creativity

Albert Clepper

The expanding role of internal audit in the management of businesses and organizations has become a recurring theme in the journals of accounting and auditing. Contributors offer various insights into both the broadening dimensions of the audit function and the qualifications of the auditors who will assume more responsibilities. With respect to the latter, considerable attention is given to the need for communication and technical skills. Additionally, most authors proclaim, but with less insight, that the auditors must be dynamic and creative people, capable of keeping pace with new technologies and reacting promptly to change. Since our organization, the Office of Audit, shares in the common need, I believe it is timely to place the issue of creativity in auditing in sharper focus and raise a few questions concerning our organizational climate for fostering creativity.

First, some brief reference to the subject of creativity in general is necessary if only to set forth what psychologists have found common to people regardless of their intelligence, training, or occupation. What is creativity? John S. Morgan writing for the American Management Association states that creativity is "the quality to be able to produce original work or ideas on the job."

"Logic and deduction may have only a slight edge over intuition and spontaneous revelation under individual circumstance."

Creativity has to do with the development, proposal, and implementation of new and better solutions to problems. Conversely, people who have only a flair or knack for doing things, or produce good workmanship, or imitate the ideas of others are not truly creative.¹ Are all people creative? To some extent, yes. The abilities that make some people more

successful than others is the burning question of interest to psychologists and human behavioral scientists. These researchers, by analyzing the process of creative thought in those who have had one or more significant contributions to their credit, have found traits to be common among them. However, much remains to be learned about the process of predicting success. Logic and deduction may have only a slight edge over intuition and spontaneous revelation under individual circumstance.

" creativity is more than a set of traits found in certain groups of people. Creativity is a way of life!"

Two of the most important traits found in creative people are flexibility and drive: flexibility being the willingness to consider alternative courses of action in attacking a problem; drive being the quality to rise above failure and push on to find a good solution. Dr. James B. Edwards, Associate Professor of Accounting at the University of South Carolina, writing in *The Internal Auditor*, states that "creative people are flexibility and drive: flexibility being the willingness to consider alternative courses of action in attacking a problem; drive being the quality to rise purpose . . . creativity is more than a set of traits found in certain groups of people. Creativity is a way of life!"

Creative thinking is inventive thinking achieved through application of the creative process i.e., (1) Preparation - find out about the problem situation and gather pertinent data, (2) Incubation - the interval between the time when a person has

ALBERT CLEPPER, until recently accepting an Operations staff position in Headquarters, was a supervisory auditor stationed in Hyattsville, Md.

completed “preparation” and the time when a good idea comes to him, (3) Illumination - the appearance of a good idea or good solution to the problem, and (4) Verification - the process of trying out and testing the good ideas. Once the steps of the creative process are understood, internal auditors are better able to recognize situations requiring creative thinking and are better able to understand how to set the conditions for creative thinking to develop.²

“Creativity starts when we become dissatisfied and begin to look for a better way.”

I believe it is clear that step (1), knowing what the problem is, provides the major barrier and challenge to creativity. Massive problems must be divided into as small parts as possible in order to be logically approached. When the problem appears too obvious, it is necessary to take a more perceptive look at it. (This is a frequent difficulty for many auditors - they struggle to develop findings around superficial causes because the true problem has not been identified.) Often, auditors may not recognize that a problem exists in any form. This situation usually results from being satisfied with the “status quo”. Creativity starts when we become dissatisfied and begin to look for a better way.

At this point, we arrive at the question of application. What are the problem areas in need of creative attention? Headlining the field, in my opinion, are the following: application of economic analysis to program evaluation from the audit viewpoint; budget auditing; computer auditing; and the use of advanced statistical methods.

Most of us have had some thoughts or ideas about the above problem areas, but have done little or nothing about them. Why? Well, lack of time, pressures from routine matters, etc; provide ready and logical answers. In addition, the influence of subconscious barriers can not be discounted. These are primarily the fear of criticism, the fear of failure, the lack of self confidence. Morgan sums it up neatly: . . . “creativity is partly the product of the

imagination and enthusiasm of a man. Thus he can rarely be unemotional and objective towards his creative work. He’s often stung by criticism. However tough he may be, overcritical attitudes, or expressions of cynicism, ridicule, or just plain indifference can inhibit his innovation. He may repress original ideas through fear of ridicule. In extreme cases, cumulative reaction to rebuff and destructive criticism has led to an idea drought - a period when no new ideas emerge in the privacy of a person’s mind.”

Now it might appear that auditors, applying criticism as a matter of course in the normal conduct of their work, would be relatively immune to criticism of themselves. Not so. By and large, they are particularly sensitive to personal criticism, at least from my experience, and frequently overreact to it. The reasons are not all that clear. Suffice to say that auditors are typically human and prone to become defensive about their real or alleged deficiencies. What is clear is that the auditor under attack, with self-confidence shaken, will be unlikely to engage in much innovative thought. Thus, building self-confidence and maintaining it when the going gets rough are the key factors in advancing creativity. Morgan tells us how to build self-confidence:

- Get experience because creativity thrives on it.
- Watch out for dead end jobs, if only because they tend to stifle innovative potential.
- Act enthusiastic because this will help give you enthusiasm which always aids creativity.
- Put your failures in their proper perspective; remember that creative people generally experience more failures than noncreative individuals because they try more things and take more chances.
- Recognize your weaknesses and either strengthen them or otherwise offset them so that they won’t inhibit your productivity of ideas.
- Show courage above all; you need it for creativity.
- Give your best. Unconfident people seldom exert themselves to the fullest, perhaps because they fear to learn that their best may seem none too good. Yet the

very nature of creativity involves reaching beyond where anybody has reached before. You can never achieve anything new without stretching.

Is the organizational climate in the Office of Audit conducive to creativity? The question is provocative and surely would produce some highly opinionated answers if put to every employee. Perhaps the most reasonable conclusion would be to simply acknowledge that the climate can be improved. We do not enjoy the freedom of the research laboratory, but nor are we subject to a military regimen. We do have considerable independence and latitude in the performance of our work in spite of the internal and external constraints imposed upon us.

“ . . . management has two basic interests . . . one is getting people to be more creative; the other is getting creative people to be more productive.”

I believe management has two basic interests in this area: one is getting people to be more creative; the other is getting creative people to be more productive. These interests could be furthered in several ways. For example:

By rewarding creative effort. Most creative people seek some form of recognition for their efforts. Some egos can be satisfied with a few words of appreciation from management. The majority, however, want a more tangible prize—a merit pay award, cash award, or in certain instances, a promotion. In recent years we had a system for evaluating suggestions. Does anyone recall the OIG Incentive Awards Program? It produced some real benefits and demonstrated the value of innovative thinking. It appears that a strong push from management is needed to get the program moving again.

“ . . . most auditors learn early in their careers that managers and supervisors are eager to share in their

successes, but fail and you stand alone.”

By providing training in creative techniques. The objectives would be to encourage creative thinking and to find ways and means of identifying creativity in auditors. Although problem solving situations are featured in much of our in-house training, the exercises are designed to produce predictable rather than creative solutions. Skeptics may view this as another gimmick with little or no payout. Granted, such training, unless carefully designed, could flop or even worse, turn loose a cadre of over zealous “hot shots”. For these reasons, perhaps, it would be prudent to try a pilot project made up of volunteers first and evaluate it before going ahead on a larger scale.

By accepting the risks inherent in creativity. Auditors have a professional responsibility to be factual and objective in their endeavors. When too many failures are experienced due to mistakes and errors, the credibility of the organization is damaged. Thus, most auditors learn early in their careers that managers and supervisors are eager to share in their successes, but fail and you stand alone. Since creativity pushes thought into unexplored areas, and thus is fraught with potential for error, little wonder that few auditors are willing to take many chances with it. On the other hand, managers as decision makers take chances every day. They can survive some failure because, although mistakes are made, the risks of the outcomes are known in advance and wrong results do not come as a complete surprise. Thus, risk-taking is legitimate and expected within the organization. Somehow, management must make clear to the work force that a low tolerance for technical incompetence and carelessness is offset by a high tolerance for calculated risk-taking. Innovative ideas and methods will be endorsed, tested, and supported to the extent that the certainties and uncertainties are clearly identified and the risks in between have a measurable probability for success and failure. Handling risk situations in a sophisticated manner is known as riskmanship. In essence, it is the process of maximizing opportunity and minimizing uncertainty.

"Locked within our organization is a full reservoir of potential creativity. With a more creative approach, management should be able to tap it."

By Assigning Responsibility for Innovation. Some person or unit in the organization should be placed in charge of stimulating and following up on original ideas. More ideas expire through neglect, inattention, and lack of sponsorship than for any other reasons. People who are immersed in day to day operations do not have time for this task; they are too busy trying to meet schedules and deadlines. Of course, their input and cooperation is essential if real progress is to be made. Can we afford the luxury of an arrangement such as this? Let me put it another way: With the challenges facing us on the horizon, how long can we afford to be without it?

In conclusion, the creative organization has a high tolerance for change, new ideas, and risk-taking

and it is in this type of environment that the auditor can best express creativity. Successful efforts can be obtained from individuals who have the ability, motivation, self-confidence, and willingness to innovate within the system. However, before placing their reputations or careers on the line, potential innovators seek assurance that their ideas will get a fair hearing under constructive criticism. Later, if an idea fails in implementation, the originator wants to be encouraged to try again; if the idea is successful, an appropriate reward is sought. Essentially, it is a system in which the creator has little to lose and everything to gain. Locked within our organization is a full reservoir of potential creativity. With a more creative approach, management should be able to tap it.

¹ Morgan, John S., *Improving Your Creativity on the Job*, (American Management Association, Inc. 1968)

² Edwards, James B., *Creativity and the Internal Auditor*, (*The Internal Auditor*, May/June 1974)

Mistakes

Admit your own mistakes openly, even joyfully.

Encourage your associates to do likewise by commiserating with them. Never castigate. Babies learn to walk by falling down. If you beat a baby every time he falls down, he'll never care much for walking.

My batting average on decisions at Avis was not better than .333. Two out of three decisions I made were wrong. But my mistakes were discussed openly and most of them corrected with a little help from my friends.

Beware the boss who walks on water and never makes a mistake. Save yourself a lot of grief and seek employment elsewhere.

(*UP THE ORGANIZATION* by Robert Townsend,
Fawcett Publications, Inc.)

JOE'S OCCUPATION

A Talk Given By D. L. Wininger To Farmers Home Administration Personnel in Kentucky

I am indeed glad to be invited to attend and be a part of your conference. When considering the business I'm in -I'm glad to be invited anywhere.

Several years ago, when I was employed in Hyattsville, Maryland, in a position similar to the one I now occupy, I invited Mr. Carl Barnes, who was then the Personnel Director of USDA, to speak at a conference being held by the Washington Region of OIG. I had heard Mr. Barnes speak at an auditors' roundtable meeting in Washington a few months earlier and I gathered auditors were not his favorite people. Although Mr. Barnes accepted my invitation, he did not do so immediately. On the day of the meeting he humorously explained to the conferees that when I invited him to speak he had hesitated and his reason could be illustrated by a story about a seven-year-old boy by the name of Johnny. He said Johnny was a second grader and one morning his teacher, in a happy state of mind, asked the children in the class to raise their hands if they wanted to go to Heaven when they died. The children raised their hands in unison -that is, all but Johnny. The teacher, somewhat surprised and thinking perhaps her question may not have been understood, asked, "Johnny, don't you want to go to Heaven?" There was a pause for a moment and the teacher could see Johnny was in deep thought. He finally said, "Yes teacher, but not with this bunch."

Mr. Burris' invitation for me to speak leads me to believe that you, at least, Mr. Burris, don't see auditors in the same light that Johnny saw his classmates.

Today I want to talk about Joe and his organization. Joe is a typical Department of Agriculture auditor, employed by the Office of Audit and stationed in the Southeast Region. You might recognize Joe as a man who has been the subject of a number of articles in the Reader's Digest for the past several years. The articles have been entitled "I am Joe's Heart" or another, "I am Joe's Thyroid." There have been more than 30 other articles describing various parts of Joe's anatomy, and the role of that

part in the healthy functioning of his life. The articles have been informative and those who have followed them have a better understanding of the components of their body.

Well, I want to bring to your attention Joe's occupation and I hope when I finish my brief remarks you will have a better appreciation of Joe and his profession.

Before I tell you more about him, I will explain a little about the background of his profession in the Department, and how the Office of Audit fits into the family of organizations which constitute the Department of Agriculture.

I have been told the first internal audits in the Federal Government were performed in the Department in the days of the Agricultural Adjustment Administration. This was the mid 1930's. The pioneer of those audits was one of the organizers of the Washington Chapter of the Institute of Internal Auditors back in the 1940's and soon afterwards became President of that Chapter.

With time, changes were made in audit techniques and concepts, going from strictly checking property records, which included forms, pencils and paper clips, to fiscal records and progressing in scope to today's sophisticated audits, which can involve questioning decisions of managers.

For more than 20 years, some agencies in the Department had their own self-contained internal audit unit, which reported to their agency head. In 1962, circumstances relating to some of the farm programs, one in particular, showed that in order for the internal audits to be completely effective, the audit organizations should be consolidated into one unit. This resulted in Auditors and Investigators in 10 operating agencies and 2 staff offices being brought

DANIEL L. WININGER is the Regional Director, OA, Southeast Region

together in the newly established Office of the Inspector General. This change resulted in greater independence of the internal audit and investigative functions because the Inspector General reported directly to the Secretary. This organization remained in effect until this past January when the audit and investigative functions were separated into two units. For an audit to be completely effective the activity must be independent from the agency being audited. This is not changed by the recent reorganization.

The Office of Audit has 6 regional offices, of which the Atlanta region is one. Additionally, nationwide there are 21 audit sub-offices, and of these, four are in the geographical area served by the Atlanta region. Joe's official duty station is the Louisville Sub-office.

Now, I will briefly comment on three phases of Joe's occupation. These will cover:

- His qualifications - perhaps you will see him differently when I finish,
- His life - I will be speaking of how he spends his time after working hours when he lives in your community, and
- His work - I imagine this part of my discussion may be the most interesting to you.

As for Joe's qualifications, he has a bachelor's or master's degree with a major in accounting. He was recruited from a college in the Southeast. Joe was interviewed by many private firms and government agencies and he selected the Department as his employer, primarily because he felt that with 26 agencies and more than 200 programs requiring audit he would not find the work monotonous, but instead rewarding and challenging.

He is skilled in auditing as a result of classroom and on-the-job specialized training. His training has varied in nature and has included Statistical Sampling Techniques and the Use of Automatic Data Processing.

For example, Joe's ADP training was recently instrumental in his using printouts from computers in St. Louis to provide data for the audit of the Farmers Home Administration in Kentucky. Today, Joe and many of his associates are either Certified Internal Auditors or Certified Public Accountants.

From a technical standpoint, I believe you will agree Joe is a qualified auditor. Some agencies must,

because many of his former fellow-workers are now employed by them. A State Director recently told me he was impressed with the ability of Joe to work in all the USDA agencies, with a good working knowledge of their operations. As a rule, when a man leaves our employment it is not because he is disenchanted with the work, but because the life of an auditor with the U.S. Department of Agriculture is not an easy one.

This brings me to my next point which I would like to discuss for a few moments. Joe's work requires him to be in a travel status 80% of the time. During Fiscal Year 1974, he and his associates drove nearly 8,000,000 miles in performing their work, and nearly 1/4th of these miles were driven by Joe and his fellow-workers in the Southeast Region. The extensive travel prevents him from enjoying the family life most of us experience. When he calls home and he learns his wife or children are ill, there is very little he can do, except worry. If the illness is serious, he returns home either by taking leave or he is directed to do so by his supervisor.

Since the Joe I am discussing, and the one with whom you are acquainted, works in the Kentucky Sub-office, it generally is more advantageous to the Government for Joe to return home on weekends. However, many auditors in his organization are not as fortunate because they work in a State where there is no sub-office. These men travel greater distances and are not able to return to their homes as frequently.

For the most part, Joe works in cities that are small in size. They are quiet and peaceful. When he walks around the courthouse square, he generally has seen all there is to see. Therefore, it is rather routine for Joe, after he completes his day of work, to return to the motel and watch television, or frequently he will take work to the motel and work during the evening.

I believe many offices audited by Joe feel he is indifferent to their feelings. This is not so, but rather he is a normal person and has compassion for the problems of those with whom he is associated, even though it is just for a short time. It is not unusual for him to comment to his supervisor about an illness in the family of someone in the office where he is working. Or, he will comment on the dedication of the office staff in performing their work. I recently visited an FmHA office in Kentucky and found the auditor alone answering the telephone for the Office Manager, who was visiting a home under

construction. He explained that the lady who normally worked in the office was called home because of illness in her family.

Now I will discuss Joe's work and his auditing standards.

Joe, being a professional, must make judgments after examining records, making physical observations, and interviewing informed persons. Usually he works from a minimum audit program. He is guided, however, by standards covering his field work, his reports, the supervision he receives and his ethical behavior. The Office of Audit endorses and strives to adhere to the standards for audit of governmental organizations, programs, activities and functions published by the General Accounting Office in 1972. Previously the standards for audit within the U.S. Department of Agriculture were published in Title 8 of the Administrative Regulation, and they do not conflict with those published by GAO.

Each federal agency and employee is accountable to the public for their acts and deeds, and it is this accountability that is the basis for the auditing standards.

The standards provide for a scope of audit that includes not only financial and compliance auditing, but also auditing for economy, efficiency, and achievement of desired results. Provision for such a scope of audit is not intended to imply that all audits are presently being conducted this way or that such an extensive scope is always desirable.

When Joe audits for financial and compliance he determines whether financial operations are properly conducted; whether the financial reports of an audited activity are presented fairly; and whether the activity has complied with applicable laws and regulations.

When he audits for economy and efficiency he determines whether the entity is managing or utilizing its resources (personnel, property, space, and so forth) in an economical and efficient manner; and when Joe audits for program results, he determines whether the desired results or benefits are being achieved.

These scope elements are generally found in audits performed by Joe. However, it is possible they would not all apply to any one audit. In audit reports released by Joe there is a paragraph near the beginning of the report which identifies the purpose

of the audit. In this purpose paragraph you are told the reasons for the audit. This, in turn, becomes the scope of his work as related to the standards. For example, the purpose paragraph could state the following:

The audit was made to determine whether activities were effectively managed and were in accordance with laws, regulations, and procedures.

Or, another could be:

The purpose of the audit was to (1) assist management at all levels in achieving more efficient operations, (2) evaluate the adequacy and effectiveness of policies and procedures, (3) determine if operations were conducted in the best interest of the public, and (4) determine compliance with laws and regulations.

Among the audits Joe has recently completed of FmHA programs are coordinated audits and individual county office audits. A coordinated audit is an audit performed of a number of counties in conjunction with the audit of a State Office. I believe most of you are familiar with the county audit and I will not comment further.

Some conditions disclosed in audits performed in the Southeast where improvements were needed concerned contaminated water in FmHA financed dwellings, irregularities in rural housing programs, FmHA and SCS cooperation on site selection and development, and some packaged loans.

The Office of Audit also performs program audits. These audits are generally made on a nationwide basis—but could involve just a few States and result in a consolidated report to the Administrator. A program audit can also cover more than one agency. Examples of a program audit would be FmHA community programs, water and waste disposal loans, and FmHA farmer programs. A program audit crossing agency lines could involve the use of government vehicles.

During Fiscal Year 1973 the Office of the Inspector General (now Office of Audit) released 350 audit reports nationwide with recommendations to various levels of FmHA management.

More than one-half of all conditions found where attention was needed were in the area of rural housing loans, and more than one-third of these conditions were related to the applications and eligibility of applicants. These conditions included ineligible borrowers, insufficient justification for interest credit and excessive interest credit granted, as well as insufficient investigation of applicants. Another area warranting improvement was related to operating loans. Again the eligibility of applicants needed additional attention.

This concludes my remarks about Joe and his work. I hope I have helped you become better acquainted with him. Maybe the next time you see an article in the Reader's Digest on another member of his body you will remember he is a professional auditor and works for the Office of Audit, U.S. Department of Agriculture.

In closing, I want to take a moment to look into the future of audit as it relates to the Farmers Home Administration. In the months ahead we will be working in a more cooperative atmosphere than we have in the past. This is not to say we are not pleased with our past associations, but rather in the future the cooperation spirit will be better. This will be evident by the training we will soon receive from FmHA in your program, which is given in Norman, Oklahoma. We will continue to take steps to improve our audit techniques in providing the audit coverage which you

should receive. This will be seen in greater use of your computers in St. Louis and in the use of statistical sampling. Moreover, it is possible you will see some "Fast Reviews" involving techniques of interviews and observation without examining records. These will be made at the Secretary's request. Some have been performed in the past few weeks. You will also witness an interest in the formalization of your annual budget and its execution process. It is our intent to provide a better service. We invite your suggestions on how we can do our jobs better.

Although we make advance plans for the work we perform, they are flexible and can be changed to honor special requests for service from agencies or the Department. In planning our audit work in Kentucky, we will contact you for your concerns and consider them in selecting the county offices to be audited. In addition, even though we may not be working in your agency when situations requiring audit come to your attention, we would like for you to request our assistance. If possible, we would like to make your job a little easier.

Thank you for inviting me to attend your conference and for the privilege of speaking. We welcome the opportunity to become better acquainted since we both will benefit by a relationship of confidence and trust. Thereby, we may be better able to serve your needs and provide a better audit service. □

You Didn't Know We Had One?

The resident Great Sage of audits doth proclaim a worthy philosophy as such: all human wants are summed up in three words - sex, money and power. Although he leaves it up to each of us, confusion of priorities by anyone may incur his wrath. The following should help.

*I pray you do not fall in love with me,
For I am falser than vows made in wine:
Besides, I like you not.*

Shakespeare: As You Like It

How melancholy are my breeches; not one chink!

Farquhar: Twin - Rivals

*What can power give more than food and drink,
To live at ease, and not be bound to think?*

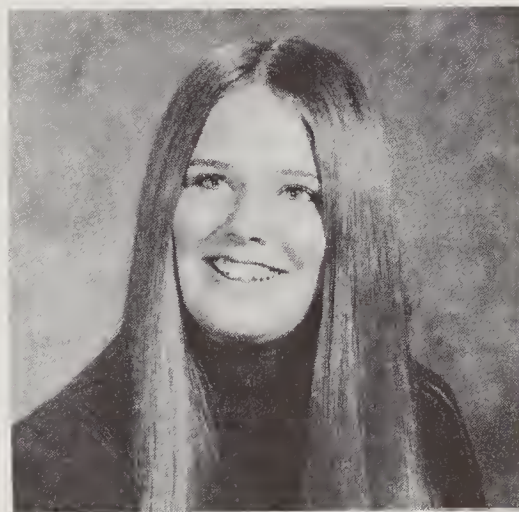
Dryden: Medal



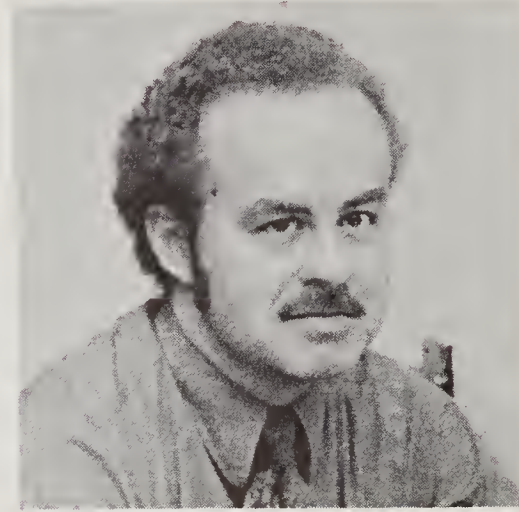
Mark Twain said that he was concerned with the future because that was where he was going to spend the rest of his life. The logic is both frightening and encouraging as one contemplates the transition from present to future states. We continually find ourselves caught in a dilemma - whether it is nobler to maintain the present world of the known and secure or pursue an unknown, new world of new opportunities. Professional survival as individuals and as an organization dictates that we choose the latter. Either we become a victim of change or we ride the crest of change. If only from the standpoint of self-interest, most of us should want to change. That is one reason why OA has an Employee Development staff.



PHILIP M. CLARK



WENDY S. KETENHEIM



WILLIAM A. DUGGAN

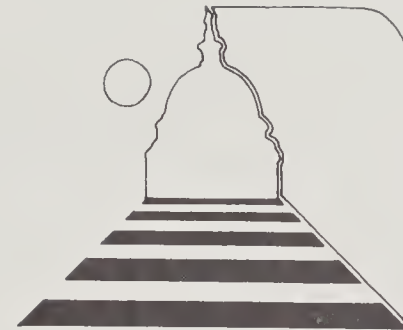
The Employee Development staff, Philip M. Clark, William A. Duggan and Wendy S. Ketenheim, plays a vital role in accomplishing the mission of OA. Constantly seeking and utilizing new training opportunities and modernizing existing offerings, this unit offers a variety of managerial and technical courses designed to enhance the career development of all OA employees.

The staff also monitors a substantial external training program which provides a large amount of training for administrative and professional employees with a wide variety of technical job related courses in such fields as secretarial and clerical courses, EEO counseling, Federal Womens Program, labor management relations, instructor training, recruiting, CPA coaching courses, ADP training, problem solving and decision making, and statistical sampling.

During the past three fiscal years 1,700 OIG/OA participants attended in-house management and technical courses. During this same period 1,000 participants completed training sessions or correspondence courses sponsored by external training institutions. An equally ambitious training program has been continued into FY 1975 as befits an organization that recognizes the need for, and provides, continuous career development opportunities.

Phil Clark, who heads the staff, has been with OA long enough to have lost his bear markings. He retains his love of the outdoors as a part-time farmer, hunter and fisherman. (As permitted by one wife, three children, two dogs and three cars.) Bill Duggan ("single

and hanging in there") is a living testament to his interest in change as attested to by his 21 credit hours toward a Masters in Computer Systems. The intelligent, charming Wendy Ketenheim is one more reason for being thankful to Pennsylvania.



Before 1968 the budget of USDA was primarily oriented toward the farm and farm problems. Since that time the budget for the Food Stamp Program, which one of our agencies administers, has grown from less than a billion dollars a year to almost \$4 billion. Total USDA expenditures for domestic food aid programs for Fiscal 1975 will run around \$6 billion - out of a total USDA budget of \$9.2 billion. Most of that aid goes to the cities. That's quite a shift in priorities for a Department that has always been associated mainly with rural America.

To look at it another way, in this time of necessarily tighter budgets, we may well in the next year or two have to make a choice of whether we're going to put another billion dollars in food aid programs at the expense of taking away a billion dollars from areas such as meat inspection, poultry inspection, fruit and vegetable grading, research, or work in the Forest Service.

It may not come down to that fine of a choice or that fine of a decision, but the point is that we are all going to have to make some hard choices in the immediate future.

Each and every one of us in this nation is probably in favor of improved nutrition for the poor. But we have to realize that the money for such improved nutrition has to come from somewhere. We have to begin to connect program costs with hoped-for benefits - then see what programs we want to keep and which ones we must cut back. - *from "Hard Decisions Ahead", a speech by Assistant Secretary of Agriculture Richard L. Feltner, Syracuse, New York, August 29, 1974.*

* * * * *

Although thousands of acres of farmland are converted annually to other uses - urbanization, roads, wildlife, and recreation - and population has risen a third in 20 years, we are in no danger of running out of farmland. Increasingly efficient production methods, a declining rate of population growth, and an abundance of water resources and land with agricultural potential should ensure our domestic food and fiber needs to the year 2000 and leave enough land left over for other purposes. - *from the Summary of "Our Land and Water Resources", a report by the Economic Research Service, May 1974.*

* * * * *

PL 93-344, the Congressional Budget and Impoundment Control Act of 1974, approved July 12, 1974, in addition to establishing House and Senate Budget Committees and a Congressional Budget Office, changes the beginning of the fiscal year to October 1 of each year and the ending to September 30 of the following year effective October 1, 1976.

* * * * *

PL 93-463, the Commodity Futures Trading Act of 1974, approved October 23, 1974, amends the Commodity Exchange Act to strengthen the regulation of futures trading, to bring all agricultural and other commodities traded on exchanges under regulation. The act creates a full-time commission independent of USDA.

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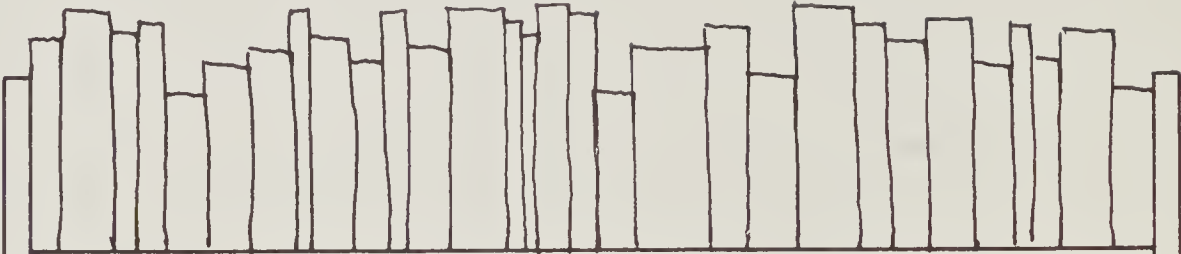
The USDA legislative proposal to amend section 1114 of Title 18 of the U.S. Code (the Federal Assault Statute) to include coverage of USDA officers and employees assigned to perform investigative, inspection, or law enforcement functions was introduced as H.R. 15763 and referred to the Committee on the Judiciary.

* * * * *

S. 2626, a bill to amend the Federal Property and Administrative Services Act of 1949 is still in the Committee on Government Operations. (See May 1974 PULSE.)

BOOKSHELF:

bargains in good reading



The Third Force. Frank G. Goble (Pocket Books, One W. 39th St., New York, N.Y. 10018 - \$1.25).

We have always mistrusted behaviorist psychology. If one looks outwardly busy, say, scurrying down the halls, that is not proof that one is a real go-getter, or hard worker. To us, Freud is only useful if you are interested in the abnormal. The psychology of Abraham Maslow - dynamic, positive, progressive - recognizes man's inborn aspiration to love, esteem, knowledge, and beauty. "What a man *can* be, he *must* be." This very readable book can help.

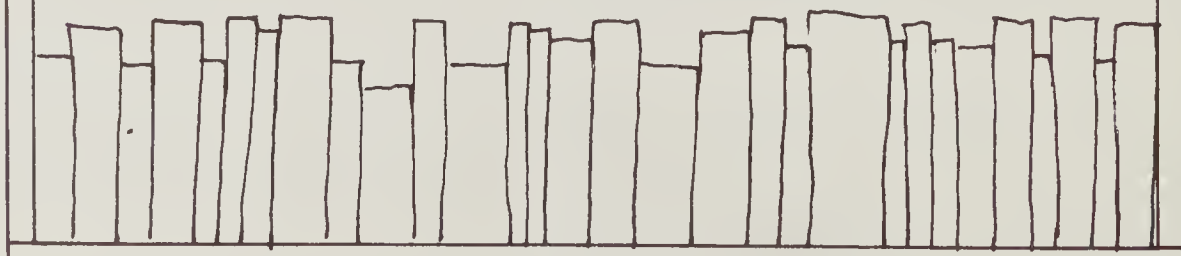
Learning For Tomorrow. Edited by Alvin Toffler. (Vintage Books/A Division of Random House, New York - \$2.95).

Alvin Toffler, author of *Future Shock* and eighteen leading psychologists, educators, futurists, social scientists, psychiatrists and humanists, have joined to produce what is, in effect, a manifesto for the next wave of change in our educational institutions.

Test Pattern For Living. Nicholas Johnson. (Bantam Books, Inc., 414 E. Golf Rd., Des Plaines, Illinois 60016 - \$1.25).

This is a "how to" book in the most fundamental sense - but don't simply copy it. The author, through examples, provides catalysts to your own imagination.

Try your bookstore, drugstore or grocery. If not available, order from the Mail Order Department of the publisher. Add 25¢ to your check or money order for handling.

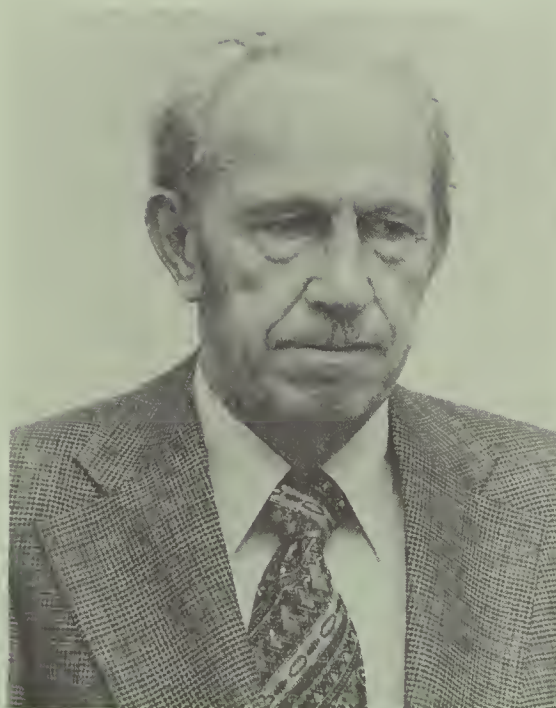


PERSPECTIVE

After 34 years with USDA (and 44 with the Government), if I had a chance to do it over again, I'd choose the Government Service and the field of audit and investigation as my career. In this field the work performed is needed, meaningful, and challenging. The objective is sound. The accomplishments more often than not are discernible and justified. The changes which result are usually improvements. The pay and retirement annuity are adequate. To me these add up to strong motivators.

Perhaps more important and rewarding than the above were the opportunities my work afforded me to be associated with such fine persons as those in the Office of Audit, Office of Investigation, the Office of the Inspector General and its predecessor agencies. I received many social benefits from these associations and formed many lasting, valued friendships.

Thanks to all of you for the part you have played directly or indirectly in my career.



BROADAWAY G. FRAZIER
Assistant Director
for Operations

(Editor's Note: Mr. Frazier retired on December 31, 1974.)

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